



# Tips for Making 401K Withdrawals

**A 401k plan, unlike a traditional pension plan, allows you to control when and how much money to withdraw. Decisions you make about when to withdraw from your 401k plan directly impact the account's balance, and could influence the amount of income that can be generated from your savings**

**Here are some tips to help guide you in deciding to make 401k withdrawals:**

1. Decide what age you want to retire.
  - The IRS requires that you begin taking withdrawals from your 401k plan once you reach 70½ years of age, but you should be thinking about your financial needs and what options might be available to you well before you retire.
2. Evaluate your retirement income needs. You want to be sure to plan for at least 20 years of retirement, and more if you plan to retire early.
  - Will your expenses likely increase, decrease or stay the same?
3. Identify all sources of retirement income.
  - Do you have other pension benefits from past employers, and IRA or Social Security benefits?
4. Contact your former employer(s) or the financial company holding your 401k plan to request withdrawal forms and a list of options you can use to decide what to do with your plan balance.
5. Evaluate all distribution options that are available to you.



# Consumer Tool Chest



## Financial Security Tools

6. Contact your plan administrator to ask if there are any fees associated with each distribution option before you make your decision.
7. Determine what tax and government benefit consequences are associated with each distribution option.
  - For instance, if you choose a one-time lump sum cash option, you will pay federal, state and local income taxes on the full amount as opposed to rolling over the account into an IRA where you can defer a portion of your income taxes, take systematic withdrawals and allow your fund balance to continue accruing interest even after you retire.
  - Determine whether Social Security benefits or any government benefit you may be receiving (e.g. prescription plan, property tax relief) will be affected by your withdrawal.
8. Discuss your options and financial needs with a family member or a friend whom you trust, or seek advice from a certified financial advisor.
9. Decide what distribution option best suits your financial needs.



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